

OVERVIEW OF GOALS FOR THE NORTHWEST QUADRANT MASTER PLANNING PROCESS

(revised February 2, 2006)

Background

In 2003, the City Council directed the Community Services Division to design a Request for Proposals (RFP) process to consider developing a portion of City-owned land within Santa Fe's Northwest Quadrant, primarily for Affordable Housing. Through this RFP, the City would select a master developer for approximately 11% of the City-owned land. As proposed by City staff, assisted by outside consultants, the development would be subject to specific requirements for assuring that affordable housing is built in a well-designed, mixed-income community that is exemplary in terms of water and energy conservation, design and preservation of open space.

As staff began work on this RFP, it became apparent that technical work was required to define exactly what requirements prospective developers' proposals would be responding to. Among other requirements, these key factors needed to be determined:

- The optimum location and boundaries of the tract to be developed
- The most likely scenarios and costs for installing essential infrastructure
- Terms of sale that would maximize production of affordable housing
- The optimum density of development and preservation of open space

In October, 2003, The Enterprise Foundation agreed to fund a technical team to answer these questions and to help draft the RFP. The Enterprise Foundation is a national nonprofit foundation dedicated to increasing affordable housing opportunities. One of its 17 offices is located in Santa Fe. Since 1991, Enterprise has provided technical assistance to the City of Santa Fe in support of affordable housing. Enterprise has also provided grants, low-cost loans and technical assistance to local nonprofit housing providers in Santa Fe and other communities in New Mexico. In 1991-1992, Enterprise helped the City plan and implement the affordability requirements for Tierra Contenta. In making recommendations for the Northwest Quadrant, the lessons and challenges of the Tierra Contenta project provided valuable guidance. In addition, some of the key economic assumptions underlying the RFP were based on the experience of Tierra Contenta.

With funding from The Enterprise Foundation, SRB Associates of Santa Fe conducted a feasibility analysis and worked with Enterprise and Community Services staff members to define the components of the RFP.

Highlights of Northwest Quadrant Master Planning Process, Related Policy Decisions & Public Benefits

KEY PROVISIONS OF PROCESS	PURPOSE
1. Sell designated portion of the Northwest Quadrant to a developer, who must comply with Master Plan.	Study recommends that these funds can be dedicated to an existing land sales revenue fund and used to further increase the affordability of the homes.
2. Developer will provide spine infrastructure for 37% of lots and donate them to nonprofit developer, selected by the City through an RFQ process.	Using proven nonprofits is the best way to assure “complete package:” suitable homes, counseling, training and special financing.
3. Develop only 178 acres of the entire NW Quad 2,560-acre tract (developable portion of 282-acre Tract 1).	Most developable parcel; manageable size; does not require creation of master developer such as Tierra Contenta.
4. Development is required to produce 37% “affordable” homes with \$146,000 maximum price (3-bedroom)—other provisions will further reduce these prices.	Technical study indicates this is feasible and would yield 271 “affordable” units (price affordable to households at or below 80% of area median income).
5. Developer is required to provide 32% “moderately-priced” homes with \$273,000 maximum price (3-bedroom).	Technical study indicates that it is feasible to impose this requirement—it would produce 235 moderately-priced homes—revenues will help offset land donation.
6. Remaining 31% of homes can be higher-priced.	Study indicates that revenues are necessary to cross-subsidize the land donation (assumes that 222 higher-price homes can be built)—also enables desirable social integration.
7. Developer must make \$10,000 contribution for each lot sold for a higher-priced home.	Study estimates this would yield \$2.2 million for a housing trust fund to make some homes affordable even below 50% of median income, and support development of special needs, affordable rental project for residents with very low incomes.
8. City has amended the Future Land Use Diagram in the General Plan to reflect desired densities.	Allows City to memorialize its intentions for developing the NW Quadrant—reduces risk and cost for developer and thus helps assure responsive bids.
9. City will approve completed master-plan prior to sale of this tract to developer.	Give City more control over end product—reduces risk for developer.
10. City will require developer to bring water rights.	In compliance with newly adopted ordinance.
11. Aggressive water-saving requirements to reach target water use of 0.15 af/yr/unit.	Provide model for future development.

Policy Ramifications of the Master Planning Process

1. The **primary purpose** of the planning process is to produce affordable and moderately-priced housing, not revenue for the City or new development per se.
2. Master Planning and change to the Future Land Use Diagram signal that the City supports a **change in zoning for Tract 1** to a gross density of 2.6 per acre.
3. Project presumes that a **mixed-income community** is more desirable than a 100% affordable community, in terms of social values and the feasibility of providing affordable homes.
4. Project presumes that **experienced nonprofits** are the most reliable means of producing and selling affordable homes, offering counseling and needed social services, and obtaining special financing for home buyers and residents of special needs housing.
5. The sales proceeds and per-lot contributions from high-end homes should go into a designated **housing trust fund** (funds could be placed in the Tierra Contenta revenue account).
6. The City **will require that the developer acquire water** rights for the project but with the provisions in code to reduce the requirements for the most affordable units to indicate its strong desire to make this development feasible (recognizing that most of the actual demand will not occur until 2009 and later).

Public Benefits of the Proposed Development

- A **model community** in terms of income-mixing, good design and water conservation features
- **Preserving major amounts of open space** as indicated by the technical study
- An estimated **235 moderately-priced homes**, controlled for prices at or below \$273,000 (3-bedroom)
- An estimated **271 affordable homes**, controlled for both price and resident incomes, 30 units of which will be set aside for people with special needs and very low incomes (at or below 50% of area median income).

Cost and price analysis for 3-bedroom affordable home:

Standard cost for nonprofit construction in 2005: (assumes \$40,000 cost for finished lot on sites other than NW Quadrant)	\$156,000
Assumed savings from donated land:	(20,600)
Assumed additional subsidy from trust fund:	<u>(25,000)</u>
Equals:	
Assumed average effective price for buyers	\$ 109,000
Range of prices possible by skewing prices:	\$60,000-\$146,000

Summary of Projected Benefits In Terms of Affordable and Moderately-Priced Housing

AFFORDABLE HOUSING (Incomes below 80% of area median income)

Maximum affordability for 37% of homes (an estimated 271 homes) can be achieved as follows:

Estimated value of land donated by developer for affordable housing:	\$5,400,000
Minimum land sales proceeds, if dedicated to an affordable housing fund:	\$5,000,000
Cash contributions from higher-price housing lots:	<u>\$2,200,000</u>
Aggregate benefit for affordable housing:	\$12,200,000
Estimated benefit per unit of affordable housing:	\$45,000

Long-term affordability recommendations for the “affordable housing” category:

- All buyers’ or renters’ incomes should be certified and liens placed on properties, equal to the difference between appraised value and the discounted price
- The purpose of the liens would be to recapture the value of any cash or in-kind subsidies made available to residential properties
- Liens would be payable upon sale or transfer; proceeds would revert to a City housing trust fund—liens should not be forgiven
- Repayments should be used perpetually to subsidize home purchases, rental or special needs housing development in Santa Fe benefiting low-income families and individuals

MODERATELY-PRICED HOUSING:

The developer would be required to provide 32% of homes (an estimated 235 homes) at prices at or below \$273,000 (3-bedroom example) with no requirements for certifying buyers’ incomes since it is presumed that the homes will not be sold at discounted prices and will not benefit from any in-kind subsidies. However, longer term price controls may be considered.

INFLATION AND INCOME INDEXING:

All price ceilings are described in 2005 dollars. It is recommended that all required price ceilings be indexed annually by increases in the Consumer Price Index. Qualifying resident incomes will be indexed to the current federal figures for area median income, as published by the U.S. Dept. of Housing and Urban Development.